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MARGINAL COLUMN

By T.R. LURIE

A SIXTH, and brand-new, added to the five official languages of the United Nations: English, French, Spanish, Russian and Chinese, which are in constant use in the Assembly hall as well as in the smaller meetings, the sixth language is Hammarskjöld's. This sixth language is Hammarskjöld's, and the difficulty about it is not that it requires interpreting apparatus for the ultra-modern palace of nations is superbly equipped to deal with technical problems from its overhanging glass portico for television cameras to the built-in holsters for the window-cleaning in perpetual motion washing of the foot from the East River chimneys and around. The difficulty is to find the persons who really understand Hammarskjöld's and can interpret it authentically.

WITH a group of 17 newspaper editors from 17 different countries around the globe, the writer has just concluded a two-week seminar on "The United Nations and How It is Reported," and the new role of the Secretary-General as a negotiator, diplomat and international policeman figured prominently in the discussions. We were told by one of the most respected and widely-quoted of the American correspondents covering the U.N. that in order to find out what the Secretary-General was thinking or doing about a particular situation, he had to button-hole several of those who had spoken to him and then to compare the various versions of what each one thought he had been told.

WE ourselves came to appreciate more clearly what was involved when we had a collective interview with this slight, quiet and soft-spoken, blond, youthful-looking Swede who seemed to be a collection of deep-carpeted oaks on the 28th floor atop this glass wall "palace of peace." He did not dodge any of the questions, which ranged from Kashmir to Hungary, to the Middle East and China, but when we came afterwards to compare notes on what he had been told, we were not altogether sure we knew what he had meant. For example, after Mr. Hammarskjöld had replied to a question about the movement of French and British ships through the Suez Canal, this reporter asked whether this applied to Israeli shipping as well. The answer was given without hesitation, apparently reasoned and well thought out—but was it negative or affirmative? That was the question I asked one of my colleagues afterwards, but as it turned out, it did not really matter, for a secretary appeared on the scene and said that all that had been said was off the record.

THAT was at the level of an informal talk with visiting newspaper men, and perhaps no more. Next day we heard that the Syrian ambassador, who had come away from an hour-long session on the 28th floor, and had set down to his report for his government, found he did not know what to write. He was at a loss to translate Hammarskjöld's Arabic. Some people know that the whole trouble is that the Secretary-General's English or French are not sufficiently accurate for the translation of official statements. I checked with a Swedish correspondent here, but he, too, finds Hammarskjöld's style as difficult in his native Swedish.

ONE of this language's peculiar characteristics is its use of the passive voice to express an idea, so that the answerer can be absolutely sure whether the Secretary-General is definitely making a recommendation or just throwing out an idea. In one of his longer reports to the Assembly he talked about linking the UNTSO and the UNEF and said this should be studied or explored further. In the assembly debate that followed no mention was made of this "suggestion"—it was not yet a proposal—and so today in his longer report the Secretary-General goes one step further toward the same goal and uses the phrase "might be indicated," perhaps in the hope that this time the idea will be taken up by other people.

A U.N. senior officer who is regarded well-informed on the activities on the 28th floor tried to explain Mr. Hammarskjöld's intention in his various progress reports to his constituents—the 60 members of the U.N.—that of "leaving all doors open." This was stated quite clearly by many observers after the report in the middle of January which was regarded as slightly more hopeful for the future than the latest report which appeared on January 22 and which seems to be a step back to the old Armistice Agreement of 1949 which, he says, "may be considered as operative, at least in part."

HAVING done open may be a wise policy, at least in part, but it may be to be avoided.

60 Terrorist Suspects Held In Cyprus Raid

NICOSIA, Monday (Reuters).—Sixty suspects have been detained in a large scale anti-terrorist campaign which began yesterday around Paphos, west Cyprus, police sources said tonight.

Three priests and two rural constables were said to be among the men detained in the area, which included 17 villages sealed off from the rest of Cyprus.

The Mayor of Famagusta, Mr. Andreas Poyouros today sent a telegram to Governor Sir John Harding protesting against yesterday's communal raid and asked that Turkish constables be withdrawn from the Greek quarters of Famagusta.

Curfew Reimposed. New curfews were imposed in Nicosia and Famagusta today in a bid to stem possible communal clashes between Greeks and Turks. It applied to all Greek and Turkish Cypriots aged between 12 and 21.

In Famagusta the dockyards were silent as Cypriot Greek dockers struck in protest against the death of a 45-year-old Greek Cypriot ship's foreman, Andon Polycarpou, in hospital following the clashes.

The Mayor of Famagusta today called a meeting of representatives of Cypriot Greeks and began collecting a special fund of £2,000 for Polycarpou's family and the families of other injured Greeks. About £400 was subscribed immediately.

Strike Called. Leaflets were distributed today calling for an immediate special strike in Famagusta, and in the town of Larnaca, as a protest against "Turkish violence." Many shops closed immediately.

Security authorities today announced the death of the 10th British victim of the EOKA terrorist campaign in Cyprus. The British was a soldier, the son of a British officer, who was killed in an ambush when at least three gunmen opened fire on a military vehicle last night midway between Famagusta and Larnaca and vanished into the night.

Two Greek Cypriot schools, in Paphos and Polis, decided on the advice of the Paphos Commissioner to close down for ten days owing to the situation on the island.

3 Indicted in U.S. On Spy Charges. NEW YORK, Monday (UP).—Two men and a woman were indicted by a Federal Grand Jury today on espionage charges which carry a possible death penalty.

The indictment named a number of Russian officials as co-conspirators in an alleged plot to transmit U.S. intelligence and defense secrets to the Soviet Union.

The three named as defendants in the six-count indictment are Jack Soble and Jacob Albaum, Soble and Albaum are natives of the same Lithuanian village, Mrs. Soble is a native of the U.S. who came to the U.S. shortly before Pearl Harbor by way of Japan and have become American citizens.

One of the Russians named as a co-conspirator was Vladimir Molev, a member of the staff of the Soviet Embassy at Washington, who left the U.S. the day after the Sobies or cannot be absolutely sure whether the Secretary-General is definitely making a recommendation or just throwing out an idea.

The indictment charges the three conspired to act as Soviet agents in the U.S. They are charged further with conspiring to transmit to Russia and Russian agents documents, photographs and other information relating to the national defense of the U.S. and particularly to the intelligence activities of the U.S. armed forces.

Other counts charge conspiracy to obtain documents in violation of the Federal Espionage Act, to register as foreign agents.

Pineau Denies U.N.'s Authority on Algeria

NEW YORK, Monday. — France today declared that she did not and would never accept United Nations authority with regard to French policy in Algeria.

The French Foreign Minister, M. Christian Pineau, stressed opposition to U.N. interference as he began reading a 144-page statement to the General Assembly's Political Committee, which today opened its debate on the Algerian problem.

(The French delegation walked out of the 1955 Assembly in protest against the inscription of the Algerian item on the agenda.)

M. Pineau said France had accepted discussion of the question this year because it wanted to reply publicly to the campaigns of systematic disparagement to which she had been subjected for many years. France also wanted to stress the extent of foreign interference in the Algerian affair and to give each member an opportunity of showing the same respect for the Charter as France had, he said.

Speaks at 2 Sessions. The French Foreign Minister's speech, which began in the morning session, was continued in the afternoon sitting. He will be followed by the Syrian Ambassador, Farid Zein el-Din, who will deliver the main answering speech on behalf of the Asian-African group, and who this morning conferred with other members of his group as well as Algerian nationalist leaders.

M. Pineau stressed, "We have never accepted, we do not accept and shall not accept the competence of the U.N. with regard to a problem which, on the strength of international law, we consider to be of an essentially internal nature."

"It follows that France cannot in any way accept the vote by the Political Committee, or the General Assembly, if a recommendation concerning Algeria is passed... We wish to give notice to the U.N. that France will not feel bound to apply such resolutions."

M. Pineau said that France had recently given an example of its respect for the international organization even though interests of great importance were at stake.

M. Pineau dealt extensively with French accomplishments in Algeria since the took control of the North African territory 128 years ago. He said the present French government cannot but be proud of the progress achieved in the past, and had begun to put important reforms into effect.

One of the most striking aspects of the French Government's policy was that "at the very moment when arms and blood were used to combat the rebellion, major reforms affecting the country's basic structure were undertaken."

Two essential ideas underlie the reforms, M. Pineau said: to ensure genuine social equality by training a Modern elite and to advance and develop social progress by raising productivity, increasing food production and making administrative action more effective.

The election which France planned throughout Algeria would bring forth new men "capable of promoting together with France an equitable political settlement," he said.

To Increase Investments. M. Pineau added, "Once peace has been restored in Algeria, a large part of the resources which today are earmarked for maintaining public order would be put to increase investments and to develop the country as much as possible."

He then turned to the Algerian rebellion and said that among the long-standing causes for which France did not share responsibility was the fact that some of the reforms should have been undertaken earlier and the fact that problems raised by communal living together had not always been examined with sufficient care.

But he claimed the rebels had been the first to use force and "we were reluctantly compelled to use it to maintain order."

The French Minister said, "The real cause of the present crisis should be traced to the action of terrorist groups which have gradually been organized and modified during the past few years, mostly with the support and upon instructions of foreign powers."

He charged that Messali Hadj, the founder of the FLN, had been found guilty of terrorism. (Continued on Page 1, Col. 1)

35 Killed in U.S. Coal Mine Blast

BISHOP, Virginia, Monday (UP).—An explosion deep in one of America's largest soft coal mines today killed between 35 and 40 miners.

Searchers found the bodies of the miners some six hours after the blast at Pocahontas Fuel Company's mine on the Virginia-West Virginia border.

The company issued a statement saying there were "less than 40 men involved" in the disaster and that "of this number there are no survivors."

U.K.-Jordan Talks Seen Protracted

Talks on the abrogation of the Anglo-Jordanian treaty began yesterday afternoon in the Amman office of Prime Minister Sir Hashim al-Nasr, ANA reported.

Yesterday's meeting lasted an hour. The talks will be resumed this morning.

Negotiations are expected to take about a month to clear up the complicated problems connected with the disposition of sizeable British military stores in Jordan.

The Old City daily "El-Jihad" reported that the Jordan negotiators will urge that the talks on the military and economic aspects of the treaty be conducted separately.

The paper was referring to the fact that the British economic aid to the Jordan Development Board, made in the form of "loans" which were not expected to be returned.

Meanwhile, the Economic Editor of "Al-Difa" called for the withdrawal of Jordan from the sterling bloc.

He claimed that it cost the Jordan economy £m. dollars annually to be tied to the sterling bloc.

INA reported that a "Manchester Guardian" despatch there is a strong impression in the Jordan Red Sea port that the evacuation of the British garrison will mean the town's eventual absorption either by Israel or by Saudi Arabia, which claims it as rightfully hers.

Studies Resume in Budapest

BUDAPEST, Monday (Reuters).—Budapest students returned to their universities today for the first time since the Hungarian rising last autumn in which many fought against Soviet troops and forces.

Officials said students were in good spirits. The rector of a technical university with about 8,000 students told reporters that all but a tenth of students were initially absent.

There were no signs of police or militia guards at any of three university buildings in different parts of the city visited by Western reporters who, with Communist journalists, were allowed into the buildings to speak to officials.

Moscow: Desperate Britons Fleeing U.K.

LONDON, Monday (UP).—Moscow Radio reported today that "thousands of desperate and destitute people" move every day to leave Britain because of its economic situation.

"The growth of emigration from Britain is becoming a grave social problem and the British press cannot ignore it," the radio said, "as a result of the economic difficulties in Britain compels many Englishmen to leave their native land," it said.

Initial Accord On UNEF Legal Status. CAIRO, Monday (Reuters).—An agreement defining the legal status of the United Nations Emergency Force in Egypt was initially signed today by the U.N. legal adviser, Mr. Constantine Stavropoulos, and Fathallah Hassan, Deputy Foreign Minister.

The agreement provides for the legal status of UNEF in general, customs exemptions and jurisdiction over UNEF soldiers.

Saud Sees Arab Acceptance Of Ike's Doctrine

WASHINGTON, Monday. —King Saud indicated today that the Arab world would accept President Eisenhower's Middle East doctrine after he explains it fully meaning to the other leaders in the area.

In an interview with "New York Herald-Tribune" columnist Marguerite Higgins, the King said that he felt the plan to use U.S. arms, if necessary, to prevent Communist infiltration of the Middle East would be acceptable to the Arab leaders.

The King said he believed the "points that I raised here could be clarified to them as they were to me."

It was learned from other sources that the negotiations between Saudi Arabian and U.S. officials on the terms of economic and military aid and continuing U.S. use of the Dhahran air base were making progress. Both sides said that there was no reason why the talks should not be completed in the next few days.

In time for Saudi Arabia to leave-taking from President Eisenhower on Thursday.

The arms problem seemed pretty well settled, as is the question of the five-year extension of the U.S. lease on the air base. The Saudis are now expected to have shown a willingness to settle for equipment and training to double their present army of about 15,000, while proposed U.S. weapons might include a dozen F-86 Sabrejet fighters—in all \$200m. worth of equipment and services extending over five years.

(UP, Reuters)

Sandys Reports To Macmillan on U.S. Talks

LONDON, Monday (Reuters).—Defence Minister Duncan Sandys reported today to Prime Minister Harold Macmillan on his Washington talks, which are being hailed as a breakthrough.

Though few details have been announced of the agreements reached with U.S. officials, newspapers are convinced that the British delegation has recently appeared to subordinate its views to State Department policies.

The Cabinet will meet tomorrow to discuss the results of Mr. Sandys' American visit, with the emphasis on the reported proposal that the U.S. should equip British forces with guided missiles.

U.S. Newsman Who Broke 'China Ban' Now in Russia

MOSCOW, Monday (UP).—An American correspondent, Mr. William Worthington, arrived here today from his month-long mission in China in defiance of a U.S. State Department ban.

Mr. Worthington, who works for the "Boston Herald-Examiner," was one of three American newspapermen who have visited China in the last two months. The others were Mr. Philip Stevens and Mr. Philip Harrington of "Look" Magazine.

Mr. Worthington is expected to remain in Moscow until Wednesday, when he hopes to go to Budapest.

Fuel Price Increase Not To Boost Power Rates—Arnon

Jerusalem Post Reporter. No increases in electricity rates are expected as a result of the rise in fuel prices which took effect yesterday, Dr. Y. Arnon, Director General of the Finance Ministry told a press conference in Jerusalem. Last month's electricity increase anticipated the fuel rise.

The cost of living index will go up directly by only half a point, Dr. Arnon said, though conceding that, indirectly, the fuel price rise may lead to a "chain reaction" of higher costs of other commodities.

He acknowledged that price changes can be expected in transport. It is expected that the Ministry of Transport will agree to another increase of bus fares at the expiration of the present contract with the bus co-operatives at the end of March. This deficit will be balanced by higher prices of other fuels.

The world price of fuel jumped three times before Israel prices were adjusted, Dr. Arnon said. First, a special emergency charge was imposed on all European and Mediterranean countries immediately after the Suez Canal was blocked. A second increase resulted from higher raw fuel prices in effect a few weeks later. A third increase followed the rise in fuel transport rates. It is fairly certain that some time will pass before prices drop to the level prevailing before the Sinai campaign.

The latest price increase should bring the Government an additional \$12m. a month, Dr. Arnon estimated, which should enable it to break even on its imports of oil and fuel. In answer to a question, Dr. Arnon said that he did not yet know whether fuel prices would drop after the Sinai-Bethlehem pipeline is in use.

Eban to Ask 'Related Measures' In Meeting with Hammarskjöld

By JESSE ZEL LURIE, Jerusalem Post Correspondent. UNITED NATIONS, Monday. —Ambassador Abba Eban met Mr. Dag Hammarskjöld at the latter's invitation at 3 p.m. today (10 p.m. Israel time).



Israel and Egypt should be separated by U.N.

U.K. Press Backs Israel, Fearful of Canal Blackmail

By GEORGE LICHTHEIM, Jerusalem Post Correspondent. LONDON, Monday. —Israel's stand on Gaza and the Straits of Tiran is today editorially supported by two of the three influential dailies — the "Manchester Guardian" and the "Daily Telegraph." The third, "The Times," by its silence, indicates that its views remain unchanged from last week, when it described the report submitted by the U.N. Secretary-General, Mr. Dag Hammarskjöld, as unsatisfactory and challenged his assertion that Egypt's consent was required for international administration of the disputed territory.

There is reason to believe that on all these points the official view here, or at least the view in certain quarters, is closer to the Canadian than to the American position. Beyond this, many Government supporters in Parliament regard the British delegation has recently appeared to subordinate its views to State Department policies.

Must Prevent Blackmail. In his speech yesterday to the General Assembly, Commander Alan Noble, the Minister of State for Foreign Affairs, made it clear that while voting with the majority, he was actually in substantial agreement with the Canadian Minister for External Affairs, Mr. Lester Pearson, on the need to prevent a recurrence of Egyptian blackmail.

It is, however, the British view that there exists no majority in the present Assembly for such a policy. "To have asked, as Canada wished, to confer effective authority on the U.N.E.F. would have meant that some was given as a 'fait accompli' today, summarizing Whitehall's arguments for supporting the watered-down resolution."

From the British viewpoint, this issue will become crucial in the near future when the Suez Canal clearing is completed.

Seeks to Influence U.S. Just now, Whitehall is most concerned with influencing Washington's attitude towards Egypt and Saudi Arabia, and this in the official view is easier to do than to influence the British view. Behind this reasoning lies a continuing anxiety to prevent a recurrence of Egyptian blackmail.

Every point to the steady growth in Soviet influence in Egypt, and there is reason to believe that Nasser confers with his Soviet advisers before making any major move. In the light of these assessments, Whitehall has reluctantly concluded that a meeting between Prime Minister Harold Macmillan and the Foreign Office on long-range Western policy in the Middle East. At such a meeting British delegates could be expected to urge support for the Baghdad pact and a policy of isolating Nasser from his allies.

How far they would join the French in pressing Israel's views is another matter, but substantially, the answer might be: as far as the Canadian attitude made it look safe to do so.

Tel Aviv Taxi Owners Demand Higher Rates. TEL AVIV, Monday. —Several hundred delegates of the Tel Aviv Taxi Owners Association decided at a noisy meeting tonight to instruct their committees to negotiate an agreement, with seven days, with government representatives for an increase in rates and rescission of the stamp tax with regard to taxi owners.

If no agreement is reached within seven days the Taxi Owners, who have joined forces with the unemployed short operators, will declare a strike, it was decided.

The demand for higher rates follows yesterday's rise in the price of petrol.

Greeks Appeal Against 'Egyptianization' Policy. CAIRO, Monday (UP). —Four leaders of the Greek Community in Egypt yesterday appealed to Abdul Nasser to tone down recent "Egyptianizing" laws which they said, would mean "complete ruin for the large majority of Greeks in Egypt."

To Query U.N. Chief on Plans

By JESSE ZEL LURIE, Jerusalem Post Correspondent. UNITED NATIONS, Monday. —Ambassador Abba Eban would be confined to a discussion of the General Assembly's first resolution demanding Israel's withdrawal from Sharm el-Sheikh and Gaza, thus announcing in advance Mr. Hammarskjöld's disagreement with Israel's contention that the withdrawal depends on related measures. It is understood, however, that the Secretary-General's invitation referred to both resolutions, and both will probably be discussed.

Mr. Hammarskjöld has as yet made no appointment to see the Egyptian Foreign Minister, Dr. Mahmoud Fawzi. He must see both to try, as the "Herald Tribune" said, to negotiate the U.N. out of the parliamentary fog engendered by its ambiguous resolutions.

The "Herald Tribune" predicts that the limited definition of the UNEF's functions given by Fawzi "does not augur well for Hammarskjöld's success."

Mr. Eban will tell Mr. Hammarskjöld that the Secretary-General's adoption of Israel's principle that the withdrawal must be accompanied by related measures, and he will reiterate Israel's suggestion for such measures. But India, whose sponsors, says that the resolution had no such meaning.

U.S. Spokesman Reticent. Mr. Hammarskjöld who wanted a clear directive from the Assembly did not get it, and to judge by his past actions he will not be willing to take any initiative in the U.N. if it is likely to meet with opposition.

Meanwhile, a spokesman for the U.S. delegation refused to clarify today whether the U.S. delegate, Mr. Henry Cabot Lodge, had agreed with Fawzi's statement during the assembly debate when the latter declared that the UNEF had no authority to "resolve any problem or settle any questions but merely to put an end to an aggression."

Mr. Lodge had stated on Saturday that he was in "substantial agreement" with the Indian delegate, Mr. K. Menon. A few moments later, Fawzi of India asked Mr. Lodge and Mr. Menon if they agreed with Fawzi, to which Mr. Menon replied that Fawzi had stated concisely what he himself "said" at length. Mr. Lodge did not answer.

His Diplomatic Correspondent added: Last night's Eban-Hammarskjöld meeting was described in Jerusalem, as "exploratory." It will be Mr. Eban's purpose, the days to come to try to clarify Mr. Hammarskjöld's intention in regard to carrying out the second of the resolutions.

All Things to All Men. The vagueness of this resolution will no doubt enable all parties concerned to regard it as confirming their own particular viewpoint, and it would surprise no one if, before long, the whole problem was being debated in a resolution. As it was, 23 delegations, among them Israel and the Arab states, abstained from voting on the second resolution, though nobody voted against it.

Mr. Eban will bring to Mr. Hammarskjöld's attention the content of the Foreign Ministry statement of Sunday night which reflected the decision of the Government made earlier that day. This reaffirmed the policy of negotiating the policy of re-establishing the control of Sinai until suitable guarantees are secured of free passage through the Tiran Straits, and to relate control of Gaza to the control of Sinai. These two points, which will be the primary ones to be brought up by the Israel delegation, were contained in a resolution, Knesset on January 23, and thus constitute a policy based on the widest national support.

The minimum guarantee that Israel would accept before leaving Sharm el-Sheikh is understood to be a mandate given to the UNEF, to remain until an accord is reached. (Continued on Page 1, Col. 2)

Menon to Reply On Kashmir Tomorrow

UNITED NATIONS, Monday (UP). —The Security Council will resume its Kashmir debate on Wednesday. The Indian U.N. delegate, Mr. V. K. Krishna Menon, will reply to the Pakistani request for the demilitarization of Kashmir, the creation of a U.N. force for the area and the holding of a plebiscite.

INFLTRATORS STEAL 5 BEDUIN CAMELS. BEERSHEVA, Monday. —Five camels belonging to the Abu Ragaib tribe were stolen by five infiltrators who crossed the border from Jordan near Hebron. The shepherd was wounded. Tracks led to the Amman area, where the camels were taken.

This is the second case of armed robbery since last Friday, when marauders robbed a Beduin shepherd of 24 camels and took them across the border.

OUR SINCERE CONGRATULATIONS TO Chief Rabbi Isaac Halevi Herzog

President of our Israel Board on the occasion of the twentieth anniversary of his occupying his exalted position.

AMERICAN COMMITTEE FOR BOYS' TOWN, JERUSALEM. IRA GUILDER, CHAIRMAN

Economic News from Abroad

The Trans-Africa Pipeline
The Trans-Africa pipeline, proposed by Major C. Taylor of Rhodesia, would run from the deep harbor of Milner in Nyasaland (now Malawi) to the Red Sea (originally built for the ill-fated groundnut scheme) to Walvis Bay in South-West Africa and would cost about £100m. (as compared with the £180m. estimated cost of the projected Iraq-Turkey pipeline). It would have a 24-inch diameter and a pumping capacity of 500,000 tons a year, enough to fill one super-tanker a day. However, big tankers would be used only to carry the oil from Walvis Bay to Europe or to America, while from Chad to Milner it could be carried in smaller vessels. The pipeline's main advantage would be that the British territories through which it would pass would presumably levy only nominal royalties on the oil, while the Arab states insist on high transit tolls.

LAI-Alitalia Merger
The need for a complete reorganization of Italy's two air companies — LAI and Al-

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WHILE public debate is

rambling over many subjects

range from development, from

EMPLOYMENT, to the central

issue of the economy, the

ple's mind is the employment

situation. Not only because

this problem most directly

affects the living standards

and conditions of tens of

thousands and may have

widely distressing repercussions,

but also on account of its

importance to the country's

economic and its intrinsic

connection with immigration

prospects. Above all, however,

because of its urgency.

When referring to develop-

ment, exports, and defense

we are concerned with the

future, but unemployment

spells privation today and

therefore claims first priority.

As a matter of fact, in

all its political and economic

upheavals, Israel has managed

to keep unemployment figures

on a remarkably low level,

approximating what in other

countries is regarded as full or

optimum employment. Even

after the recent, largely seasonal,

rise in labour ex-

changes turnover and taking

into account unregistered

unemployment, the situation to-

day is better than in 1953 in

absolute figures, which is cer-

tainly an improvement as regards

proportions.

This is imperative in a

country bent upon absorbing

a rapidly increasing population.

It is achieved only by

overruling all other consid-

erations, such as efficiency,

saving of foreign currency,

or competitive ability on the

world market. However, though

we are to this policy, the

price we are paying for it

should not be lost sight of,

the more so as we may not be

in a position to afford it

much longer.

The time has come for the

public to become aware of the

fact that we cannot both

maintain full employment "at

any cost" (i.e. regardless of

all implications) and to say

expand exports "at any cost".

No amount of emphasis put

upon the vital importance of

both objectives can remove

their incompatibility. The

general counter-measure, which

cost foreign currency and in

any case diverts us — for the

time being — from the harsh

necessity of earning it. This

should not be lost sight of, as

regarded as an adequate re-

sponse to the new challenges

facing us today.

Basically, additional em-

ployment can stem either

from increased demand for

consumer goods, i.e. a higher

living standard, or from a

bigger demand for capital

goods, i.e. more investment,

or from opening new outlets

abroad. The first alternative

must evidently be ruled out

in our present situation. The

second can only be accepted

after careful scrutiny, in

order to avoid projects in-

volving the use of scarce or

foreign resources or likely to

bear fruit only in the distant

future.

Insofar as the financing of

these schemes cannot be done

from public sources — be-

cause of the inevitable reduc-

tion of the Development Bank

— it must come from

additional domestic savings.

Here too it should be clearly

understood that such savings

can only be of real help if

they entail the opening up of

imported goods, for otherwise

we would be reducing em-

ployment in one place in

order to expand it in another.

Indeed, such savings

changes in our economy may

be vitally needed, but they

will be of no help in solving

the employment problem.

Government Debt on Increase

By DAN BAVLY

IN the second half of 1956, the Government increased its debt to the Bank of Israel by approximately IL100m., according to the Bank of Israel Balance sheet to the end of December 1956. There are few signs that this upward trend of debt will end this year.

The Israel Government often faces the temptation of deficit financing. Increased immigration, development projects, higher production

demands, and above all defense and security demands can

all be solved according to

many senior Government of-

ficials, through loans of vari-

ous sorts. Danger of an in-

flationary course in the econ-

omy is always emphasized

to industry and trade, agri-

culture and transport and

the Bank of Israel activities

in this direction in the last

two years has been largely

successful. The Government

does not seem to realize that

it should have no special

privileges to pass forward

the country's inflationary

tendencies; it does not seem

to comprehend that in 1956

the Government, more than

any other section of the econ-

omy, caused the reduction

of Israel's development po-

tential.

Larger Credits

According to the figures

published by the Bank of Is-

rael, the means of payments

increased from August 1955

to August 1956 by 17 per cent

to stand at IL482m. The

growth was mainly a result

of larger Government cred-

its, while the rest of the

economy did not experience

more than one third of these

increases.

During 1956, Government

expenditure grew faster than

the rest of the economy, and

this was caused without an

outstanding increase in de-

velopment projects. Defense

expenditure was the main re-

ason for the increased loans

that the Government drew

from the Bank of Israel.

Since we do not have all

the facts the question of de-

fense expenditure is a com-

plex one. It is clear, how-

ever, that the special de-

fense outlay in the first six

months of 1956/57 fiscal

year reached IL116m.

It was then acknowledged

that these expenditures were

mostly financed by loans

from the Bank of Is-

rael.

Exceeding Estimate

When the 1956/57 budget

was drafted and approved

last February and March, it

was already clear that de-

fense expenditures would be

considerably larger than had

been estimated in the bud-

get. It was also clear then,

that with all other projects

exceeding the budget, de-

fense would become necessary.

Yet, for some reason, the

Finance Committee and the

Government were not aware

of this. The Ministry of

Finance plans to finance

the large part of the de-

fense expenses by loans

from the Bank of Israel.

According to the Bank of Israel Law, the Government may borrow sums totalling not more than 5 per cent of the annual budget. Under the present circumstances, when the proposed budget will reach IL500m., and an extra defense budget may be estimated at least IL100m., the Government may owe the Bank of Israel considerably more. But, at this rate of increase, Government debt may reach the maximum amount sometime in 1958.

Currency Inflation

When the War of Inde-

pendence broke out in 1948, and

the sources of revenue exist-

ing at the time were in-

adequate, the printing of

new currency, and Govern-

ment loans from banks were

an unavoidable means of fi-

naning the war. Since then

the idea has persisted, that

special defense outlays may

be financed outside the regu-

lar sources of revenue. Neither

Mr. Levi Eshkol, the Minis-

ter of Finance, nor Mr. Da-

vid Horowitz, Governor of

the Bank of Israel, have man-

aged to insist that only

after other projects ex-

penditure has been cut down

should defense expenses be

increased. If the special de-

fense budget was unknown

when last year's budget was

prepared (actually, the Gov-

ernment knew that it would

be facing a huge defense ex-

penditure), the least Mr. Esh-

kol should do this year when

presenting the budget, would

be to plan surplus income

which could be reserved for

defense purposes.

The status of the Bank of

Israel in relation to the Gov-

ernment is such that it en-

ables the Government to con-

stitute a counter-inflationary

influence. It is easy enough

for the Governor to block

the increase of credits to the

non-Government sector, but

however strong the pressure

on him, his position is

strong enough to effect the

demand. Not so in relation

to the Government, where,

against his better judgment,

he has in the past year given

in. One is reminded of the

first three years of the State,

when, as Director General of

the Ministry of Finance, he

accepted the Prime Minis-

ter's demand for deficit fi-

naning, which he was known

to oppose, but still agreed to

carry out.

The Bank of Israel bal-

ance sheet not only shows

that it has given in to

the Government's demand

for defense purposes. The

Items Billed Discounted and

Items Billed Discounted and